REPORT TO THE CONGRESS OF THE UNITED STATES

SAN FRANCISCO

REVIEW OF SLUM CLEARANCE AND URBAN RENEWAL ACTIVITIES OF THE SAN FRANCISCO REGIONAL OFFICE HOUSING AND HOME FINANCE AGENCY

OCTOBER 1959

BY

COMPTROLLER GENERAL OF THE UNITED STATES

JULY 1960

U.S. General Accounting Office

REPORT TO THE CONGRESS OF THE UNITED STATES

SAN FRANCISCO

REVIEW OF SLUM CLEARANCE AND URBAN RENEWAL ACTIVITIES OF THE SAN FRANCISCO REGIONAL OFFICE HOUSING AND HOME FINANCE AGENCY

OCTOBER 1959

BY

COMPTROLLER GENERAL OF THE UNITED STATES

JULY 1960

REPORT TO
THE CONGRESS OF THE UNITED STATES

REVIEW OF
SLUM CLEARANCE AND URBAN RENEWAL ACTIVITIES OF THE SAN FRANCISCO REGIONAL OFFICE HOUSING AND HOME FINANCE AGENCY

OCTOBER 1959

BY
THE COMPTROLLER GENERAL OF THE UNITED STATES

JULY 1960

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

JUL 15 1960

B-118754

Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Herewith is the report on our review of the slum clearance and urban renewal activities of the San Francisco Regional Office of the Housing and Home Finance Agency, October 1959.

The principal deficiencies noted during our review are summarized in the forepart of the accompanying report and are discussed in detail in later sections. They concern (1) inflated prices paid for certain residential slum properties, (2) tentative allowances for noncash local grant-in-aid credit which, in our opinion, do not meet all the statutory or administrative requirements for credit, and (3) a significant number of families from one urban renewal project being relocated into substandard housing.

Local communities provide noncash local grants-in-aid as a portion of their share of the cost of slum clearance and urban renewal projects. The amount of noncash grants-in-aid allowed by the Urban Renewal Administration becomes part of the cost of the project, two thirds of which is borne by the Federal Government. We noted that credit was tentatively allowed for some noncash local grants-in-aid although on the basis of our review we believe (1) that the improvements were in excess of the needs of the project, (2) that the amount of credit was not properly determined, (3) that credit was allowed for an ineligible facility, and (4) that the percent of benefit to the project was not supported. The Commissioner, Urban Renewal Administration, has agreed to disallow about $255,000 of grant-in-aid credit for facilities commented on in our report.

This report is also being sent today to the President of the Senate. Copies are being sent to the President of the United States; the Administrator, Housing and Home Finance Agency; and the Commissioner, Urban Renewal Administration.

Sincerely yours,

Joseph Campbell

Comptroller General
of the United States

Enclosure

Contents

REPORT ON REVIEW
OF
SLUM CLEARANCE AND URBAN RENEWAL ACTIVITIES
OF THE SAN FRANCISCO REGIONAL OFFICE
HOUSING AND HOME FINANCE AGENCY
OCTOBER 1959

INTRODUCTION

The General Accounting Office has made a review of the slum clearance and urban renewal activities of the San Francisco Regional Office, Housing and Home Finance Agency (HHFA). Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The scope of our review, which was completed in October 1959, is described on page 43 of this report.

The slum clearance and urban redevelopment program was authorized by title I of the Housing Act of 1949 (63 Stat. 414) to provide Federal financial assistance in the form of advances, loans, and capital grants to local communities for clearing and redeveloping slum areas. Title III of the Housing Act of 1954 (68 Stat. 622), which amended the Housing Act of 1949, broadened the program by providing financial assistance to local communities to aid in preventing the spread of slums and blight through the rehabilitation of blighted or deteriorating areas. Title III also introduced the term "urban renewal" into the law.

In conformance with section 106 of the Housing Act of 1949, as amended (42 U.S.C. 1456), the Administrator, Housing and Home

Finance Agency, delegated to the Commissioner, Urban Renewal Administration (URA), broad authority for administering the title I program. The URA office is in Washington, D.C.; the field activities of the program are carried out by the seven regional offices of the Housing and Home Finance Agency. For purposes of clarity, we hereafter refer to employees in the HHFA San Francisco Regional Office who are assigned to the urban renewal program as URA employees.

The prime responsibility for initiating and administering the title I program at the local level is placed with the communities themselves. Programs are carried out by entities known as local public agencies (LPA's) which are defined by statute to be "any State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project for which assistance is sought."

Under the procedures established by URA for undertaking a slum clearance or urban renewal project, an LPA plans the project; acquires the land in the project area; temporarily operates and maintains the acquired project properties; assists families in the project area to relocate into decent, safe, and sanitary housing; and demolishes the existing structures. This work may be performed by the LPA staff or by private firms under contract to the LPA. Upon completion of these activities, the LPA may sell or lease the project land to private or public redevelopers or may retain the land for its own use in accordance with the redevelopment plan.

To assist in the administration of the program at the local level, URA has issued a Local Public Agency Manual which contains the policies, procedures, and requirements to be adhered to by the LPA's in undertaking a slum clearance and urban renewal project pursuant to title I of the Housing Act of 1949, as amended.

The Federal Government, through the Administrator, HHFA, provides financial assistance to local communities in the form of advances, loans, and capital grants. In order to provide assistance in the form of advances and loans, the Administrator is authorized to borrow not in excess of $1 billion from the Treasury. Funds for capital grants are made available to the Administrator by annual appropriations.

A planning advance may be made to an LPA to finance the planning of a slum clearance project. The advance is repayable out of any funds which become available to the LPA for the undertaking of the project. Thus, if a project is not undertaken, the planning advance is not repaid. Federal financial assistance to enable the LPA to undertake a project is provided either by making direct loans to the LPA or by guaranteeing loans obtained by the LPA from sources other than the Federal Government. Capital grants to an LPA may be made in amounts totaling two thirds of the net project cost. Capital grant progress payments may be made to the LPA during the development of the project. These payments may be used to pay for future project expenses or to repay loans and advances.

The project costs in which the local community and the Federal Government share arise principally from (1) land acquisition, (2) demolition of existing structures, (3) provision of site

improvements and supporting facilities which are necessary to serve the new uses of the project land, and (4) administrative expenses of the LPA. Item 3 includes community improvements, such as schools, libraries, police stations, sewers, and parks. Costs shared by the Federal Government do not include the construction costs of buildings contemplated by the redevelopment plan except for supporting facilities such as those included under item 3 above.

Section 110 of the Housing Act of 1949, as amended (42 U.S.C. 1460), states that gross project cost shall comprise (1) the amount of the expenditures by the local public agency with respect to any and all undertakings necessary to carry out the project and (2) the amount of such local grants-in-aid as are furnished in forms other than cash. Net project cost is defined by section 110 of the act as the difference between the gross project cost and the aggregate of (1) the total sales price of all land or other property sold and (2) the total capital value of the project land or other property to be leased or to be retained by the local public agency. Sections 103 and 104 of the Housing Act of 1949, as amended (42 U.S.C. 1453, 1454), provide that net project cost generally will be shared two thirds by the Federal Government and one third by the locality.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Our findings and recommendations are summarized below and are discussed in detail in later sections of this report.

INFLATED PRICES PAID FOR SLUM PROPERTIES

Inflated prices are being paid for certain residential slum properties which were overvalued because rental income was collected by the owners on unlawfully occupied housing. The Federal Government generally pays two thirds of the cost of the slum clearance and urban renewal program and thus bears a large part of the excessive cost of acquiring slum dwellings.

We recommended that the Commissioner, Urban Renewal Administration, (1) make a study to determine the most feasible means of minimizing the payment of inflated prices for slum properties which have been converted to unlawful uses and (2) implement the results of the study by revising existing policies and regulations or, if necessary, by requesting appropriate changes in legislation. The Commissioner has advised us that URA has made and is continuing to make studies to determine the best means of preventing local agencies from making excessive payments for slum properties prior to the institution of court proceedings. He also has indicated that policies and procedures have been and are being established to prevent payment of inflated prices. While the action taken and planned by URA may help in solving the problem, we believe that additional steps could be taken. We believe that URA could attempt to obtain the cooperation of State legislatures to amend State laws relating to eminent domain proceedings to preclude any recognition of increments in values of slum properties arising from illegal income or conditions. (See p. 12.)

AMOUNT OF NONCASH GRANT-IN-AID CREDIT NOT PROPERLY DETERMINED

URA has tentatively approved a $2,156,452 noncash grant-in-aid credit claimed by the San Francisco LPA for widening and converting that part of an existing street within the project into an expressway. These street improvements were classified by the LPA and URA as site improvements, but the grant-in-aid credit claimed and allowed was computed on the basis of benefit to the project which is the basis applicable to supporting facilities. Even if the expressway should be classified as a supporting facility, we believe that the percent of credit URA tentatively allowed was not properly determined.

We are recommending that the Commissioner, Urban Renewal Administration, review the amount of grant-in-aid credit tentatively allowed for widening and converting Geary Street into an expressway. (See p. 23.)

EXCESSIVE NONCASH GRANT-IN-AID CREDIT APPROVED FOR STREET WIDENING

For the San Francisco Western Addition Urban Renewal Project, URA tentatively allowed, as a noncash grant-in-aid credit, the full cost ($154,838) of widening a street within the project and one half of the cost of that portion of the street which borders the project. We believe that the street as it will be reconstructed is excess to the needs of the project. The HHFA Regional Office and the LPA have agreed that the grant-in-aid credit should be reduced to $98,248.

We recommended that the Commissioner, Urban Renewal Administration, revise the grant-in-aid credit and the project budget

accordingly. The Commissioner has advised us that our recommendation will be accepted. (See p. 28.)

INELIGIBLE NONCASH GRANT-IN-AID ALLOWED BY URA

A noncash grant-in-aid credit of $122,672, which is 11 percent of the estimated cost of improvements to a recreation center, was tentatively approved by URA. We believe that the center may not be eligible for noncash grant-in-aid credit because it is doubtful that the project will receive the required minimum of 10 percent of the benefit from the facility. The Regional Director of Urban Renewal has advised the LPA that this facility appears to be ineligible for grant-in-aid credit.

We recommended that the Commissioner, Urban Renewal Administration, disallow the $122,672 noncash grant-in-aid credit for the center and revise the project budget accordingly. The Commissioner has agreed to accept our recommendation. (See p. 30.)

NONCASH GRANT-IN-AID CREDIT FOR SCHOOL COMPUTED IMPROPERLY

URA tentatively allowed as a noncash grant-in-aid credit the amount of $159,500 which represents 15.3 percent of the cost of converting a girls' high school into a coeducational junior high school. We believe that the percent of benefit allowed was excessive since it was not based on a proper estimate of the number of project students who will attend the school. The HHFA Regional Office and the LPA have agreed that the grant-in-aid credit should be reduced by $28,147.

We recommended that the Commissioner, Urban Renewal Administration, reduce the grant-in-aid credit for the converted school

and revise the project budget accordingly. The Commissioner has advised us that our recommendation will be accepted. (See p. 33.)

NONCASH GRANT-IN-AID CREDIT NOT SUPPORTED

URA tentatively allowed as a noncash local grant-in-aid credit 50 percent of the estimated cost, or $47,552, of a day camp which is part of a major park system. The benefit which the project will receive from this facility was not justified by the LPA. We therefore could not determine the basis used by URA in tentatively allowing a 50 percent noncash grant-in-aid credit for this facility and believe that the camp may be ineligible since it appears to be of city-wide benefit.

We recommended that, unless the LPA was able to justify the amount of noncash grant-in-aid credit which has been tentatively approved, the Commissioner, Urban Renewal Administration, disallow the $47,552 noncash grant-in-aid credit for the day camp. We have been advised by the Commissioner that the LPA has not been able to justify the grant-in-aid credit and that it will be disallowed. (See p. 35.)

UNSATISFACTORY RELOCATION OF PROJECT FAMILIES

We found that a number of families displaced by the San Francisco Western Addition Project had relocated into substandard housing although the LPA had reported that these families had self-relocated into standard housing. According to URA requirements, families who have self-relocated into substandard dwellings must be offered assistance by LPA's in finding standard living accommodations. The San Francisco HHFA Regional Office agreed with our conclusion and made arrangements for the LPA to immediately

reinspect some 500 relocation dwellings and to offer standard accommodations to those families who are found to have relocated into substandard dwellings. We believe that the unsatisfactory relocations resulted chiefly from lack of review of relocation activities by URA and the failure of the LPA to properly supervise and discharge its relocation functions.

We recommended that the Commissioner, Urban Renewal Administration, require the San Francisco HHFA Regional Administrator to more thoroughly review the relocation plans submitted by LPA's to determine that there is a feasible method for the relocation of families displaced from future projects so as to reduce the possibility of unsatisfactory relocations. The Commissioner has agreed to take the recommended action. (See p. 37.)

SLUM CLEARANCE AND URBAN RENEWAL OPERATIONS OF THE SAN FRANCISCO HHFA REGIONAL OFFICE

The San Francisco HHFA Regional Office has jurisdiction over the administration of the slum clearance and urban renewal program in Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming. As of June 30, 1959, no urban renewal projects for Guam, Idaho, Montana, Utah, or Wyoming had been approved by URA. The number and type of projects under the jurisdiction of the San Francisco office at June 30, 1959, are summarized by stage of completion as follows:

	Number by stage of completion			
	Total	Planning	Execution	Completed
Slum clearance and urban renewal	56	37	18	1
General neighborhood renewal planning	4	4	-	-
Demonstration	3	-	2	1
Project feasibility surveys	2	2	-	-
Total	65	43	20	2

Capital grant fund reservations of about $101,867,000 had been established by HHFA at June 30, 1959, for the 56 slum clearance and urban renewal projects. The total fund reservations are represented by (1) 16 executed loan and grant contracts amounting to about $36,286,000, (2) 1 contract in the amount of $2,510,588 which has been authorized by HHFA but not yet executed, and (3) reservations of funds amounting to about $63,071,000 for 36 projects for which loan and grant contracts have not yet been authorized. For 3 of the 56 projects (1 completed, 1 in execution, and 1 in planning), HHFA has not established capital grant reservations. Additional capital grant reservations of about $384,000

have been made for demonstration projects and for projects which will result from general neighborhood renewal planning.

The total amount of unrepaid planning advances, temporary loans outstanding, and capital grant payments made for all types of urban renewal projects within the San Francisco region compared with total amounts for all regions as of June 30, 1959, are shown in the following summary.

	San Francisco region	Total all regions	Percentage of total
Unrepaid planning advances	$ 2,791,361	$ 17,611,483	15.8
Temporary loans outstanding:			
From HHFA	4,924,816	53,343,721	9.2
From private sources--guaranteed by HHFA	31,803,612	270,674,687	11.7
Capital grant payments	7,543,834	206,889,240	3.6
Total	$47,063,623	$548,519,131	

FINDINGS AND RECOMMENDATIONS

INFLATED PRICES PAID FOR SLUM PROPERTIES

Inflated prices are being paid by the San Francisco local public agency to acquire certain residential slum properties in San Francisco, and, according to information in the HHFA Regional Office files, this condition exists also in Sacramento, California. While we do not know the extent of the condition, URA recognizes that it exists in connection with urban renewal projects in other cities of the Nation. The values of slum properties become inflated when rental income is collected on unlawfully occupied housing. The Federal Government generally pays two thirds of the cost of the slum clearance and urban renewal program and thus bears a large part of the excessive cost of acquiring slum dwellings.

Operations of a landlord in a slum area

In connection with our review, we obtained some information on the activities of a corporation formed in 1954 for the principal purpose of investing in real estate. We believe that this information illustrates how slum property values have been inflated in San Francisco.

At the time of our review, the principal stockholders of the corporation were partners in a real estate brokerage firm. The president of a savings and loan association in San Francisco was, until about April 1959, another stockholder.

The first loan and grant contract for the Western Addition Project area was executed on May 13, 1953. Since 1955, the corporation has acquired 17 properties in this project area. Of these properties, 15 were considered as substandard in 1959 by city

building, electrical, and health inspectors. The corporation also owns a number of other properties in areas adjacent to the project. We found that, for the 17 properties in the project area, the purchase procedure was generally as follows:

1. A partner in the brokerage firm or various individuals who we were informed were either employees or relatives of a partner in the brokerage firm made the initial purchase. We shall hereinafter refer to such individuals as "dummy."

2. After purchase, the property was mortgaged to the savings and loan association, the president of which was also a stockholder in the corporation as previously mentioned. In a number of cases, appraisals for mortgage purposes were higher than purchase prices.

3. The "dummy" later sold the property to the corporation at a higher price than he had paid for it. The "dummy" then could realize the benefits of the long-term capital gain provisions of the income tax laws.

4. Some time after purchase by the corporation or its interested parties, rents were usually raised. Some of the buildings were unlawfully converted in that they had been designed for occupancy for a smaller number of persons than were actually living in them.

In 1958, the Redevelopment Agency of the City and County of San Francisco--the local public agency--attempted to purchase the 17 properties owned by the corporation at prices which would not exceed the HHFA-approved acquisition price of $341,750. The approved price had been established by HHFA after receiving and evaluating two independent appraisals for each parcel. The corporation asked $495,630. Since no agreement could be reached, the LPA resorted to acquisition through eminent domain proceedings for the 17 properties in the project area.

At the date of our review, acquisition prices had been set by the court for two properties that have been acquired through such proceedings. In one case, the court awarded $38,500, the figure

approved by HHFA in 1958. The court awarded $117,000 for the other property which was appraised for the LPA at $86,500 in 1955 and at $95,000 in 1957. We understand that the corporation intends to appeal the latter award as being too low and that the corporation's asking price was $160,000 for the property which its "dummy" purchased for $70,000 in 1955.

The LPA has a program for acquiring 665 properties in the Western Addition Project. We were informed that, at May 31, 1959, 465 properties had been purchased. Of the remaining 200, LPA officials anticipate that 100 will be bought through negotiation and 100 will be acquired through eminent domain proceedings. LPA and HHFA Regional Office officials admit that this is a high percentage of cases to involve court action, and they attribute much of the trouble with other property owners to the corporation's actions. We were told that delays and higher acquisition costs could be foreseen.

Case study of one slum property

To illustrate the subject in more detail, we made a case study of one of the corporation's properties, a three-story wood frame building built about 1885 and originally designed for not more than two-family use. The building, which has 19 rooms, 2 baths, and 3 water closets, had, at one time, been converted without legal permit into 16 housekeeping rooms and one 3-room apartment. Recent inspection reports of the Departments of Public Works and Public Health, City and County of San Francisco, cited a large number of violations of building, electrical, and housing codes. The structure was definitely considered as substandard and,

in the opinion of the building inspector, is probably subject to condemnation.

The corporation "dummy" acquired the property in 1952 at a price of $8,810, and shortly thereafter the "dummy" mortgaged the property to the previously referred to savings and loan association for $7,500. During 1955, the property was sold to the corporation for $15,000. The first real estate appraisal for acquisition by the LPA was made about the same time. The value established by the appraisal was $12,000. In arriving at this value, the appraiser considered net income from the structure which he estimated at $1,435 a year.

A second appraisal made in 1957 set a value of $21,700, and this value was based on comparable sales of similar property and estimated reproduction cost less depreciation. By that time, net rental income had increased to $4,742 a year, according to a schedule which the appraiser claimed was furnished by an officer of the corporation. In January 1958, the HHFA Regional Office authorized the LPA to acquire the property at a price not to exceed $21,750. The LPA then attempted to negotiate the purchase of the property but was unsuccessful because it refused to pay the corporation's asking price of $27,500. As were other corporation property cases, this case was referred to the court for decision.

We believe that this case study illustrates the operation of a practice in San Francisco which inflates real estate values. We understand that the appraisers in establishing fair market value are instructed not to consider rentals derived from properties which are unlawfully occupied. However, such rentals are

implicitly considered when they base the values on comparable sales. The effect of such rentals cannot be ignored even when acquisition prices are decided by the courts.

Nationwide implications

What we have described is partly illustrative of a national problem which has been recognized by officials of the Urban Renewal Administration. The former Commissioner of URA in a speech on April 5, 1959, stated:

> "The time has come to place a far greater share of the cost of slum and blight elimination on the shoulders of slum landlords. Either they should take their reserves for repairs, maintenance, and replacements out of their pockets and spend that money to bring their properties up to standard, or the depreciation they have claimed for tax purposes should be reflected in a deduction from purchase price payable by urban renewal agencies. Why should such properties be valued for acquisition by capitalizing illegal income?"

The seriousness of the problem is recognized also at the local level. For example, in a memorandum dated May 17, 1957, the Regional Office Real Estate Adviser wrote to the San Francisco Regional Director of Urban Renewal concerning the Survey and Planning Application for the Capitol Mall and Riverfront Area Project at Sacramento as follows:

> "1. *** I find that sales prices of properties in Sacramento (to both public and private purchasers) are based on returns derived, in large part, from illegal uses of residential portions of properties sold. The appraisers that evaluated properties in the Capitol Mall area properly recognized income from illegal uses, as property has been sold on such a basis for a long period of time, because the City of Sacramento has made no effort to enforce either building or housing codes in the older parts of the community.
>
> "2. Such lack of properly enforced codes are presently causing the LPA to spend excess thousands of dollars for properties that should have been abated long ago."

In the case of this Sacramento project, the HHFA Regional Office is attempting to minimize future acquisition costs by prohibiting the use of Federal funds for land acquisition unless the city of Sacramento inspects properties in the project area for violations of health, building, safety, and housing codes before second appraisals are made. A regional office official advised us that copies of violation notices would be furnished to appraisers for ultimate reductions of appraisal values.

Since the costs of acquiring slum properties become part of the cost of slum clearance projects, two thirds of which is borne by the Federal Government, we believe that URA should take all possible means to prevent the payment of inflated prices. Without effective URA controls to insure that localities will adopt adequate procedures to prevent the payment of inflated prices for project properties, we believe that it is not reasonable to assume that all localities will do so on their own initiative.

In order to avoid unnecessary increases in the cost of slum clearance and urban renewal projects, we recommended that the Commissioner, Urban Renewal Administration, (1) make a study to determine the most feasible means of minimizing the payment of inflated prices for slum properties which have been converted to unlawful uses and (2) implement the results of the study by revising existing policies and regulations or, if necessary, by requesting appropriate changes in legislation.

In his letter dated June 3, 1960, commenting on our draft report, the Commissioner stated that URA had made and was continuing to make studies of the best methods of preventing local agencies

from making excessive payments for slum properties prior to the institution of court proceedings. He stated that he believed that URA had taken reasonable and practicable precautions to prevent such payments in its land acquisition policies and procedures. The Commissioner considers URA's policies to be adequate to cope with instances of inflation resulting from unlawful use of property up to the point of condemnation when the courts take over jurisdiction of the matter.

The Commissioner further indicated that the most effective long-range solution to the problem lies in improvement of local zoning, housing, and construction codes combined with more rigid enforcement of such codes. The Commissioner advised us that the HHFA Administrator was issuing stronger workable program requirements under which no community would obtain certification unless it had established committees to prepare and revise codes and, except in States lacking enabling legislation, had established a planning commission and provided operating funds. The workable program referred to by the Commissioner includes the locality's official plan of action for effectively dealing with the problem of urban slums and blight and for the establishment and preservation of a well-planned community with well-organized residential neighborhoods. Before a title I loan and grant contract may be executed, the HHFA Administrator must certify that the locality's workable program is adequate.

The URA Commissioner further stated that URA now requires the adoption of adequate local zoning, housing, and construction codes and an active program of enforcement as a prerequisite for approval of title I loan and grant applications.

While the action already taken and planned by URA may help in solving this problem, we believe that there are additional steps which can be taken to further minimize the payment of inflated prices for slum properties. For example, a study made by URA in 1951 shows that the redevelopment laws of at least some States authorize in condemnation proceedings the admission of evidence bearing upon illegal use or condition of properties. The same study shows that some other States have similar provisions in general laws relating to eminent domain proceedings.

We believe that URA could attempt to obtain the cooperation of State legislatures to amend State laws relating to eminent domain proceedings to preclude any recognition of increments in values of slum properties arising from illegal income or conditions. URA would then be in a position to require that appraisers not recognize such increments in values. In our opinion, if illegal income or income from illegal uses were not recognized by either the courts or appraisers, the prices paid for slum properties which have been converted to illegal uses would not become so inflated.

NONCASH LOCAL GRANTS-IN-AID

The Federal Government pays its two-thirds share of net project cost in the form of a capital grant to the LPA. The community provides its one-third share of net project cost by a method known as local grants-in-aid and these may be in the form of either cash or noncash as described in section 110 of the Housing Act of 1949, as amended (42 U.S.C. 1460). Examples of noncash local grants-in-aid are (1) donations, at cash value, of land within the project area, (2) the cost of installation, construction, or reconstruction of streets, utilities, and other site improvements, and (3) the cost of providing certain public buildings and other public facilities, such as parks, playgrounds, schools, recreational facilities, health centers, streets and highways, parking facilities, and utility installations. Most communities furnish a large portion of their share of the net project cost in the form of noncash local grants-in-aid because these are included in gross project cost and the Federal Government, in effect, pays two thirds of their cost.

To qualify as a local grant-in-aid, examples 1 and 2 must be within the project area and must be essential to the carrying out of the project. In order for the total cost of the facilities enumerated in example 3 to qualify as noncash local grants-in-aid, the facilities must be primarily of direct benefit to the project and necessary to serve and support the new uses of land in the project area in accordance with the redevelopment plan. If a facility is of direct and substantial benefit both to the project area and to other areas, an appropriate part of the cost may be

eligible as a local grant-in-aid. URA has administratively determined that (1) if the benefit to the project area is less than 10 percent, no part of the cost is allowable as a local grant-in-aid and (2) if the benefit is more than 80 percent, the full cost will be allowable. In 1954, section 110(d) of the Housing Act of 1949 was amended to implement the agency's administrative determination with respect to the costs allowable if the benefit is more than 80 percent. When the project receives between 10 and 80 percent of the direct benefit provided by the facility, the amount of cost allowable as a local grant-in-aid is determined by the URA Commissioner based upon the estimated or actual percentage of benefit to the project.

The effect of noncash grants-in-aid on the Federal subsidy for slum clearance and urban renewal is illustrated in the following hypothetical examples which assume (1) that the cost ($3,000,000) of public facilities was allowed as a noncash grant-in-aid (a) at 100 percent and (b) at 50 percent and (2) that none of the cost of the public facilities was allowed as a noncash grant-in-aid. In each example, project cost (excluding cost of public facilities) and sales price of land were assumed to be $12,000,000 and $3,000,000, respectively.

		One hundred percent allowance		Fifty percent allowance		No allowance
				(in thousands)		
Cost of planning, acquiring land, relocating tenants, demolishing buildings		$12,000		$12,000		$12,000
Public facilities allowed as noncash local grants-in-aid (such as streets, sidewalks, sewers, schools, libraries, police and fire stations)		3,000		1,500		-
Gross project cost		15,000		13,500		12,000
Sale price of land		3,000		3,000		3,000
Net project cost		$12,000		$10,500		$ 9,000
Local share, one third of net project cost:						
Cash grants-in-aid	$1,000		$2,000		$3,000	
Noncash grants-in-aid	3,000	$ 4,000	1,500	$ 3,500	-	$ 3,000
Federal share, two thirds of net project cost		8,000		7,000		6,000
		$12,000		$10,500		$ 9,000

Generally, at the time it approves a loan and grant application, URA tentatively determines or tentatively agrees to the percent of benefit for the supporting facilities claimed by the LPA as noncash local grants-in-aid. This percent is applied to the estimated cost of the facility to arrive at an amount which URA tentatively allows the LPA as a noncash grant-in-aid. URA procedures provide that the percent of benefit may be changed:

> "*** in the event of changes in: (1) the redevelopment plan, or (2) the nature of the facility, the area to be served, or the project or the circumstances with reference to the project."

After construction of the facility has been completed, the percent of benefit is applied to the actual cost of the facility to arrive at the amount allowed as a noncash local grant-in-aid.

Amount of noncash grant-in-aid credit not properly determined

In our review of the San Francisco Western Addition Project, we found that URA had tentatively approved a $2,156,452 noncash grant-in-aid credit claimed by the LPA for widening and converting that part of the existing Geary Street within the project into an expressway. The improvements were classified by the LPA and URA as site improvements, but the grant-in-aid credit claimed and allowed was computed on the basis of benefit to the project which is the basis applicable to supporting facilities. Since grant-in-aid credit for site improvements is required to be determined on a different basis than that for supporting facilities, it appeared that the method of computing credit for the Geary Street improvements was improper.

Part 2, chapter 10, section 3, of the LPA Manual, with respect to site improvements, states:

> "*** in determining whether an improvement constitutes a site improvement within the meaning of Section 110(c)(3) of Title I, the important test is whether the improvement is actually essential to the preparation of sites for uses in accordance with the Redevelopment Plan.
>
> "*** Where an improvement is of a size or capacity in excess of the needs for preparing the project land for reuse, its cost to the extent of the excess is ineligible as a project development cost, and the cost of the excess must be financed with other than Title I loan funds without credit as a local grant-in-aid."

That part of Geary Street within the project area, before redevelopment, was 69 feet wide, and, when the project is completed, it will be converted into a six-lane, limited-access expressway with service and parking lanes and a new underpass at one intersection. New street widths will range from 125 to 168 feet. The LPA

classified the estimated costs of the conversion into two categories and claimed that each benefited the project by the amount shown in the following summary.

	Total estimated cost	Noncash grant-in-aid credit claimed: Percent of benefit to project	Noncash grant-in-aid credit claimed: Amount
Widening of Geary Street: Construction cost of sidewalks, curbs, parking lanes, and portion of service lanes plus land acquisition and demolition costs for additional space needed for such sidewalks, curbs, and lanes	$1,084,378	100.00	$1,084,378
Geary Street Expressway: Construction cost of traffic lanes, underpass, portions of service lanes, and traffic separator plus land acquisition and demolition costs for additional space needed for such lanes and separator	3,257,592	32.91	1,072,074
	$4,341,970		$2,156,452

In a letter to the Regional Administrator dated November 16, 1956, the Acting Commissioner, URA, questioned whether the expressway benefited the project to the extent claimed. On December 5, 1956, URA tentatively approved the grant-in-aid credit claimed by the LPA, and, based on the suggestion of the Acting Commissioner, URA, the San Francisco HHFA Regional Office advised the LPA that the percentage of benefit of the expressway would be subject to future review.

During our review, we questioned the amount of grant-in-aid credit tentatively allowed for the Geary Street improvements. In

response to our inquiry, the San Francisco Regional Administrator, in a letter dated September 21, 1959, informed us as follows:

"Widening of Geary Street

"Apparently the somewhat inappropriate designation of 'street widening' given this portion of the Geary Street improvement by the LPA has obscured or confused the basis on which the 100 percent benefit to the project was claimed and allowed. The LPA justified the street widening and construction involved as an improvement which is in addition to the expressway and which provides a separate and localized means of traffic access to the project properties abutting Geary Street. In our opinion the LPA has fully established that this additional street widening and construction is essential to the redevelopment of the project.

"We are also of the opinion that the allowance of 100 percent of the cost of widening and construction as a non-cash local grant-in-aid is in accordance with Agency policy under the criteria established in LPA Manual Section 2-10-3 since the improvements in question are not of a size or capacity in excess of that required to serve the project.

"Geary Street Expressway

"*** on August 4, 1959, it [the LPA] was requested to reconsider the benefit claimed for the portion of the expressway section which contributes to traffic removal within the project. Such reconsideration is expected shortly."

Since the expressway had been classified as a site improvement, we did not believe that the grant-in-aid credit should be reconsidered on the basis of percentage of benefit to the project. The percentage-of-benefit method is required to be used to apportion credit for supporting facilities but not for site improvements. It was our opinion that URA should adhere to the policies set forth in part 2, chapter 10, section 3, of the LPA Manual and determine the grant-in-aid credit allowable for all the Geary Street improvements on the basis of what is essential to prepare the project site for use in accordance with the redevelopment plan.

In our draft report, we recommended that the Commissioner, Urban Renewal Administration (1) review the grant-in-aid credit allowed for all the improvements to Geary Street to determine the extent to which the improvements are essential to preparation of the project site for use in accordance with the redevelopment plan and (2) disallow the cost of that portion of the improvements which is excess to the needs of the project.

In a letter dated June 3, 1960, containing comments on our draft report, the Commissioner stated that URA did not agree with our recommendations. He stated also that "The fact that the proposed work was classified as a site improvement did not alter the fact that the 'expressway' part of the work was in the nature of a supporting facility."

Even if the expressway should be classified as a supporting facility, we believe that the noncash grant-in-aid credit tentatively allowed by URA, which was based on 32.91 percent of benefit to the project, was not properly determined.

The grant-in-aid credit was based on benefit to the project arising from (1) removal of traffic from other parallel streets which pass through the project and (2) use of the expressway by project traffic. The LPA's computations showed that the project received 42.65 percent of the traffic removal benefits and 18.3 percent of the use benefits.

As an example of the deficiencies in the computations, the traffic removal benefits attributable to the project were based in part on a certain amount of traffic being removed from the blocks fronting on Geary Street. Actually, traffic on Geary Street will

be increased because certain other project streets will be closed and because traffic from other streets will use the faster expressway. The Acting Commissioner, URA, recognized this deficiency in November 1956 when he questioned whether the expressway benefits the project to the extent claimed. (See p. 24.)

Another deficiency is that the LPA, after computing the percentage of traffic removal and use-type benefits to the project, then assigned an arbitrary weight of 60 percent to the former and 40 percent to the latter. We could find no basis or support for these percentages which were applied to the traffic removal and use benefits in arriving at the 32.91 percent of credit tentatively allowed for the expressway.

Recommendation

In order that URA policies will be applied on a consistent basis and to determine that the Federal share of project cost is not unnecessarily increased, we recommend that the Commissioner, Urban Renewal Administration, review the amount of grant-in-aid credit tentatively allowed for widening and converting Geary Street into an expressway.

Excessive noncash grant-in-aid credit approved for street widening

For the San Francisco Western Addition Urban Renewal Project, URA tentatively allowed, as a noncash grant-in-aid credit, the full cost ($154,838) of widening a street within the project and one half the cost of that portion of the street which borders the project. We believe that the street, as it will be constructed, is excess to the needs of the project. We therefore believe that part of the cost of the improvements should be disallowed.

According to a San Francisco Department of City Planning trafficways plan dated December 16, 1949, it was proposed that Webster Street be made a major thoroughfare. In a publication entitled "Capital Improvement Program 1956-57 through 1961-62," the San Francisco Department of Public Works stated:

> "Also related to the Western Addition Redevelopment Project is the Webster-Laguna project involving the widening of sections of Webster and Laguna Streets, and their connection by a new diagonal street. A badly-needed north-south crosstown thoroughfare will be accomplished."

It is planned to increase the width of Webster Street from about 68 to 110 feet. This widening will convert an ordinary city street into a six-lane thoroughfare with a center divider and parking lanes.

The foregoing information indicates that the street, after widening is completed, will also be of city-wide benefit and that its size will be in excess of the needs of the project. In tentatively allowing grant-in-aid credit for this improvement, URA allowed the full cost of widening that part of the street which is within the project and one half the cost of that part which

borders the project. We do not believe that this allowance is in accordance with part 2, chapter 10, section 3, of the LPA Manual which provides that:

> "Where an improvement is of a size or capacity in excess of the needs for preparing the project land for reuse, its cost to the extent of the excess is ineligible as a project development cost, and the cost of the excess must be financed with other than Title I loan funds without credit as a local grant-in-aid."

During our review, we questioned the propriety of the amount of grant-in-aid credit allowed. Subsequently, on August 4, 1959, the San Francisco Regional Director of Urban Renewal advised the LPA that it appeared that any facilities being provided in excess of a typical project cross street were ineligible for grant-in-aid credit. On November 6, 1959, the Acting Regional Director of Urban Renewal informed the LPA that, based on his analysis of costs, the costs eligible for grant-in-aid credit would be $98,248. This amount is $56,590 less than the amount tentatively allowed by URA and was arrived at by excluding the cost of the center divider and part of the cost of the traffic lanes. On November 16, 1959, the LPA concurred in the amount of grant-in-aid computed by the Acting Regional Director. We believe that the $98,248 grant-in-aid credit is more reasonable than that previously allowed by URA since it excludes that part of the cost of the facility which is considered as excess to the needs of the project.

Since both the Regional Director of Urban Renewal and the LPA had agreed that the grant-in-aid credit for the widening of Webster Street should be reduced to $98,248, we recommended that the Commissioner, URA, revise the grant-in-aid credit and project budget accordingly.

The Commissioner has informed us, in a letter of June 3, 1960, that URA accepts our recommendation and that the LPA will be advised to give full consideration to the reduction in grant-in-aid credit when processing a new Project Cost Estimate and Financing Plan which will be required by URA. (See p. 32.)

Ineligible noncash grant-in-aid allowed by URA

URA tentatively approved a noncash grant-in-aid credit of $122,672 which is 11 percent of the estimated cost ($1,115,196) of improvements to the Hamilton Recreation Center in the San Francisco Western Addition Project. The center, when completed, is to have a swimming pool, a gymnasium, clubrooms, a playfield, and other facilities. We believe that the center may not be eligible for grant-in-aid credit because it is doubtful that the project will receive the required minimum of 10 percent of the benefit from the facility.

Part 2, chapter 10, section 4, of the LPA Manual dated October 18, 1955, states in part as follows:

> "(1) No part of the cost of a public facility is eligible [as a local grant-in-aid] if such a facility is not of direct and substantial benefit to the project. A facility is not considered to be of direct and substantial benefit to the project under the following circumstances.
>
> "(a) The project received less than 10% of the direct benefit provided by the facility. ***."

In its claim that the center would benefit the project to the extent of 11 percent, the LPA stated that the center would serve a total population of 64,000, including 7,000, or 11 percent, who would live in the project area. To support this statement, the LPA submitted a map to URA showing the boundaries of the total

area to be served by the center. There was, however, no explanation as to how these boundaries, ranging .4 to .7 mile from the center, were determined.

We learned that the San Francisco Department of City Planning had established various standards for locating playgrounds and recreation centers and designating their service areas. One of the Department's standards is mentioned in its 1954 publication, Parks and Recreation Areas in San Francisco, and it is quoted below:

> "Playfields, each containing a playground, and athletic facilities serving junior and senior high school age groups (13 - 17 years) and adults, should be available within 1 mile to 1 1/2 miles of every residence in the community areas of the city

* * * * *

> "Ideally, playfields should be located adjacent to junior and senior high schools, which together would comprise the major elements of a community center."

On the basis of the above information, we concluded that the center may serve a larger area than that claimed by the LPA. Our evaluation of data submitted to HHFA by the LPA indicates that less than 6,000 rather than 7,000 people can be expected to live in the project. It therefore appears that the percentage of benefit to the project would be below the 10 percent minimum necessary to qualify for grant-in-aid credit.

We brought our observations concerning the grant-in-aid credit allowed for this facility to the attention of officials of the San Francisco HHFA Regional Office. After considering the questions which we raised, the Acting Regional Director of Urban Renewal requested additional information from the LPA to justify the percentage of project benefit claimed by the LPA. On

March 11, 1960, the Regional Director of Urban Renewal advised the LPA that the additional justification submitted did not substantiate the 10-percent-minimum-benefit requirements and that the center appears to be ineligible for credit. In arriving at this conclusion, the Regional Director of Urban Renewal used a project population of 5,353.

Since the Regional Director advised the LPA that the Hamilton Recreation Center appeared to be ineligible for grant-in-aid credit, we recommended that the Commissioner, URA, disallow the $122,672 noncash grant-in-aid credit previously allowed and revise the project budget accordingly.

On June 3, 1960, the Commissioner advised us that URA agreed with our recommendation and would instruct the Regional Office to request that the LPA submit a revised Project Cost Estimate and Financing Plan together with a request for a loan and grant contract amendment, if necessary, to reflect the reduction in noncash grant-in-aid credit.

Noncash grant-in-aid credit for school computed improperly

URA tentatively allowed as a noncash grant-in-aid credit the amount of $159,500 which represents 15.3 percent of the cost of converting a girls' high school into a coeducational junior high school in the San Francisco Western Addition Project. We believe that the percent of benefit allowed was excessive since it was not based on a proper estimate of the number of project students who will attend the school.

Part 2, chapter 10, section 4, of the LPA Manual dated October 18, 1955, states in part as follows:

> "The method to be employed in determining what portion of the costs of a public facility may be allowed as a local grant-in-aid depends on the nature of the facility and the kind of services or benefits it provides. Depending on the circumstances, the methods described below are generally to be followed:
>
> "(1) *** In the case of a school, for example, the percentage of benefit to the project area will be based on the portion of the total capacity of the school which will be used for pupils from the project area." (Underscoring supplied.)

In support of its claim that the project would receive 15.3 percent of the benefit from the school, the LPA stated that the school capacity would be 1,000 students and that the number from the project would be 153. URA tentatively approved the 15.3-percent credit on December 5, 1956.

The LPA's estimate of 153 students who will attend the new school was based on an estimated project population of 7,000. Our review of documentation at the HHFA Regional Office, which showed proposed re-use of the land, indicated that the project will have

a population of less than 6,000 after redevelopment and that the number of students from the project area will be less than the 153 estimated by the LPA. It thus appears that the percentage of non-cash grant-in-aid credit allowed by URA is too high.

We brought this matter to the attention of officials of the San Francisco HHFA Regional Office. The Acting Regional Director of Urban Renewal then requested that the LPA furnish specific details as to how the LPA had arrived at the estimated project population of 7,000. The LPA, on September 29, 1959, submitted additional information to the Regional Director of Urban Renewal which indicated that the estimate of the project population should be reduced to 6,426. The LPA also stated that the desirable maximum capacity of the school should be reduced to 935 students on the basis of information obtained from the Board of Education. The Regional Director of Urban Renewal advised us on October 22, 1959, that he considered the revised school capacity to be reasonable; however, on November 9, 1959, he questioned the basis for the LPA's revised estimate of project population.

On December 8, 1959, the Acting Regional Director of Urban Renewal advised the LPA that he believed that the estimated project population should be revised to 5,353 and that the number of students which would come from the project would be 120. This basis would result in a grant-in-aid credit of 12.6 percent of the estimated cost of the facility, amounting to $131,353, or a reduction of $28,147 in the credit previously allowed by URA. The Regional Administrator advised us that the LPA accepted the revised amount of grant-in-aid credit.

Since the Regional Office and the LPA agreed that the grant-in-aid credit for the converted school should be reduced to 12.6 percent of cost, we recommended that the Commissioner, URA, reduce the grant-in-aid credit and revise the project budget accordingly.

On June 3, 1960, the Commissioner informed us that URA accepted our recommendation and would advise the LPA to give full consideration to the reduction in noncash grant-in-aid credit allowed for this facility when processing its revised Project Cost Estimate and Financing Plan which would be required by URA. (See p. 32.)

Noncash grant-in-aid credit not supported

Our review of the San Francisco Diamond Heights Project disclosed that on February 8, 1956, URA tentatively allowed as a noncash grant-in-aid credit 50 percent of the estimated cost, or $47,552, of the Glen Canyon Day Camp. The benefit which the project will receive from this facility was not justified by the LPA. We believe that the camp may be ineligible for noncash grant-in-aid credit since it appears to be of city-wide benefit.

Part 2, chapter 10, section 4, of the LPA Manual dated October 18, 1955, provides, in part, as follows:

> "(1) No part of the cost of a public facility is eligible [as a noncash local grant-in-aid] if such a facility is not of direct and substantial benefit to the project. A facility is not considered to be of direct and substantial benefit to the project under the following circumstances:
>
> * * * * *

"(b) The facility is of a character which serves an entire community, or a substantial portion thereof, instead of being a neighborhood facility ***."

The Glen Canyon area in which the camp is located is described by the San Francisco Department of City Planning, in a report dated April 1954, as part of the major city-wide park system and is not considered a local community park or recreation area. A natural park with trails and picnicking and camping facilities will be created so as to preserve a green belt within the center of the city. Accordingly, the camp appears to be of city-wide benefit.

The justification submitted by the LPA in support of its claim for the noncash grant-in-aid credit does not relate to the camp but, instead, pertains to two playgrounds which had previously been proposed as supporting facilities to the project. We therefore could not determine the basis used by URA in tentatively allowing 50 percent noncash grant-in-aid credit for the facility. We brought the matter to the attention of officials of the San Francisco HHFA Regional Office. The Regional Director of Urban Renewal then requested further justification for the noncash grant-in-aid credit from the LPA.

We recommended that, unless the LPA was able to justify the amount of the noncash grant-in-aid credit which has been tentatively approved, the Commissioner, URA, disallow the $47,552 noncash grant-in-aid credit for Glen Canyon Day Camp. The Commissioner informed us in a letter of June 3, 1960, that the LPA had been unable to demonstrate that the Camp did not have city-wide benefit. The letter states that URA accepts our recommendation and will advise the LPA of the necessity of revising the Project Cost Estimate and Financing Plan.

UNSATISFACTORY RELOCATION OF PROJECT FAMILIES

In our review of the relocation of families displaced by the San Francisco Western Addition Project, we found that a number of the families had relocated into substandard housing although the local public agency had reported to the San Francisco HHFA Regional Office that the same families had self-relocated into standard housing. We believe that the unsatisfactory relocations chiefly resulted from lack of review of relocation activities by URA and the failure of the LPA to properly supervise and discharge its relocation functions.

Section 105 of title I of the Housing Act of 1949, as amended (42 U.S.C. 1455), provides that:

> "There be a feasible method for the temporary relocation of families displaced from the urban renewal area, and that there are or are being provided, in the urban renewal area or in other areas *** at rents or prices within the financial means of the families displaced from the urban renewal area, decent, safe, and sanitary dwellings ***."

In Report No. 1 which was transmitted to the House Committee on Banking and Currency on January 31, 1956, the Subcommittee on Housing made the following comments on the same subject:

> "*** the subcommittee is concerned that adequate safeguards are being taken to see that such families are transferred, as painlessly as possible, to alternative decent housing which they can afford. *** The subcommittee urges that the Federal authorities charged with overseeing relocation responsibilities exercise increased vigilance to make sure that the municipalities are in fact doing an effective and humane job in this area. Every effort should be made to insure a workable relocation plan with adequate personnel to supervise the working out of the program. If displaced families are merely shunted to another slum area, or an area which is on the verge of becoming a slum, the problem is only aggravated further." (Underscoring supplied.)

According to URA requirements, families who have self-relocated into substandard dwellings must be offered assistance by LPA's in finding standard living accommodations.

The LPA estimated that a total of 1,800 families comprised of 6,100 persons will eventually be displaced by the San Francisco Western Addition Project. The LPA's records showed the following data with respect to the number of families relocated as of May 14, 1959.

Moved into private rental and sales housing:	
Near the project area	227
In other districts of the city	161
Moved into public housing	48
Total	436

The figures above account for nearly 25 percent of the total relocation task. Comments on our review of the relocation activities for this project follow.

1. A map prepared by the LPA showed that a substantial number of families moved from the project area to an adjacent area designated for future redevelopment. This adjacent area has a considerable number of houses which appear to have been built about the same time as those being demolished in the project area. Of particular significance is the fact that the LPA reported only 13 families had relocated (self-relocated) in substandard dwellings as of May 30, 1959.

2. We selected 69 names and addresses of families who had relocated into the adjacent area and made a tour of the area for the purpose of viewing building exteriors and the neighborhood environment. From our brief inspection, we found that 33 families had moved into dwellings which appeared to be substandard.

3. On checking the LPA case files, we found that records for all 33 families had been "closed" and the LPA had reported that the families were relocated in standard housing.

4. We reviewed records of inspections made by the San Francisco Department of Public Health and learned that 17 of the 33 families had moved into dwellings which had previously been designated as substandard by the Department. We also found 12 addresses of additional families who had relocated into dwellings within the general Western Addition District area which we had not seen but which had previously been considered by the Department to be unfit for occupancy.

5. We reviewed a report entitled, "Survey of Converted Residential Structures in Study Areas A-2, A-3, and A-4, Western Addition, San Francisco, California," dated November 1958. Study areas A-2, A-3, and A-4 surround the existing urban renewal project, and they include the same locations where we inspected housing exteriors.

The report, which was submitted to the HHFA Regional Office, described the housing as being in an old, poor area comprised of small, wood frame structures on crowded lots, most of which were over 40 years old and in generally poor condition. Of a total of 2,928 residential structures, there were 808 illegally converted buildings which contained 4,598 dwelling units. A total of 8,699 persons occupied the dwelling units. The report concluded that relocation was a major problem because of such conditions.

6. On September 16, 1958, the Director of Public Health, City and County of San Francisco, stated that reports of the School

Department on pupil transfers indicated that more families were moving into areas where there was already a high density. He stated further that, in some neighborhoods near the project area, 40 percent of the housing was overcrowded or had other deficiencies from a public health standpoint.

From the foregoing information, we concluded that there was a general pattern of unsatisfactory relocations. The San Francisco HHFA Regional Office agreed with our conclusion and made arrangements for the LPA to immediately reinspect some 500 relocation dwellings and to offer standard accommodations to those families who are found to have relocated into substandard dwellings.

As of June 1, 1960, the LPA stated that (1) reinspections were made of all units into which families had moved and which were indicated as being standard, (2) the records were corrected as necessary, and (3) offers of assistance in moving into standard housing were made to all families found in substandard housing. The LPA stated also that, as of June 1, 1960, two out of three relocated families were in decent, safe, and sanitary housing and the remaining family was in a substandard residence having refused a reasonable offer of assistance to move into standard housing.

The LPA further stated that major changes were made in personnel responsible for relocation functions. Because of the growing scarcity of available relocation housing in San Francisco, the HHFA Regional Administrator has stated that she would meet with the Chairman of the LPA to ascertain what steps may be taken to obtain additional relocation houses. As one possible solution, the Regional Administrator is proposing to request that the LPA

immediately clear a portion of the Western Addition Project area and install site improvements so that land may be offered to redevelopers for relocation housing purposes.

We believe that the unsatisfactory relocation from the Western Addition Project resulted from:

1. Lack of review by URA. We believe that the problem could have been minimized if URA had reviewed the relocation activities of the LPA more closely. Part 3, chapter 4, section 1, of the LPA Manual dated December 27, 1954, provides, in part:

   > "The Urban Renewal Administration will periodically examine relocation operations to ascertain whether they are in conformity with the approved Relocation Plans."

   Adequate inspections by URA personnel before the time of our audit would have disclosed that many families had relocated in substandard dwellings.

   In March 1959, shortly before the time of our review, the Urban Renewal Administration established a new procedure which requires each HHFA Regional Office site representative to make periodic on-site inspections of the relocation activities at each project assigned to him. The new procedures include requirements that the site representative make periodic physical inspections of the relocation housing of a number of families who (1) have been relocated by the LPA and (2) have self-relocated. We believe that adherence to these procedures will assist URA in making a better evaluation of the LPA's relocation activities and provide a basis for taking early corrective action where unsatisfactory relocation practices are observed.

2. Failure of the LPA to properly supervise and discharge its relocation functions. As an example of this, the LPA failed to make an adequate effort to utilize public housing as a source of relocation housing for eligible project families. During the period March 1958 through July 1959, there were 546 project families apparently eligible for public housing, according to a report prepared by the LPA. We understand that the LPA had referred 400 of these families to the local public housing organization which determined that 72 of the families were ineligible. Of the entire group of eligible families, only 76 were actually relocated in public housing. We realize that a number of families did not move into public housing for reasons beyond the control of the LPA and URA. However, the HHFA

Regional Office files indicate that the LPA could have taken more effective action to relocate more families in public housing and that improvements will be made in the future.

3. Omission of an important consideration in the Relocation Plan. The limited availability of private housing to some groups was not in our opinion adequately considered by URA in reviewing the plan.

As of June 1, 1960, the LPA stated that procedures had been worked out with the San Francisco Housing Authority to strengthen the day-to-day staff liaison of the referral and the follow-up of families.

Although URA and the LPA were attempting to correct the unsatisfactory relocations in the City of San Francisco, we recommended that the Commissioner, Urban Renewal Administration, require the San Francisco HHFA Regional Administrator to more thoroughly review future relocation plans submitted by LPA's to determine that there is a feasible method for the relocation of families to be displaced from proposed projects so as to reduce the possibility of unsatisfactory relocations. The Commissioner advised us on June 3, 1960, that the Regional Administrator would be requested to review future relocations more thoroughly.

SCOPE OF REVIEW

Our examination of the slum clearance and urban renewal program administered by the San Francisco HHFA Regional Office included a selective review of procedures and transactions as follows:

1. We reviewed the basic laws authorizing the program and the pertinent legislative history to ascertain the purposes of the program and its intended scope.

2. We reviewed URA's policies and procedures and its administrative regulations applicable to the activities of local public agencies in the federally subsidized slum clearance and urban renewal program.

3. We reviewed transactions on a test basis to ascertain the reasonableness of expenditures and the propriety of operating practices. In our examination, we reviewed selected project correspondence, documents, and related data applicable to various slum clearance and urban renewal projects to determine the effectiveness of URA's policies and procedures.